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LETTER OF TRANSMITTAL

Regina
March 1991

To Her Honour
Sylvia Fedoruk
Lieutenant Governor
of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ended December 31, 1990, including the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of the corporation, all in accordance with the Power Corporation Act.

I have the honour to be Madam,
Your obedient servant,

George McLeod
Minister Responsible
Saskatchewan Power Corporation

MESSAGE FROM THE CHAIRMAN

SaskPower's Board of Directors adopted a new mission statement in 1990. It reads, "SaskPower will meet the electrical needs of Saskatchewan residents in a reliable, safe, efficient, and environmentally responsible manner, while providing extraordinary customer service."

I'm proud to say that the corporation worked hard to achieve all these objectives during the past year. It was a year of many achievements.

One of the highlights of 1990 is that SaskPower bought more than 90 per cent of its goods and services from within Saskatchewan. This is a record for the corporation since the Saskatchewan Supplier Development Program began in 1983.

SaskPower actively searches for local companies to produce goods and services previously only available from outside sources. As a result of SaskPower's program, more than 125 such products are now manufactured in the province.

SaskPower deals with huge, international firms which have facilities in Saskatchewan, as well as small, family operations. Each transaction ensures that SaskPower's money remains within the Saskatchewan economy.

Development in northern Saskatchewan is important to a strong provincial economy, and SaskPower will continue to play an important role in this area of great potential. When the Athabasca Transmission Line was completed in 1988, it brought reliable hydro power to mines and communities previously served by more expensive diesel-generated power. Readily available electricity is essential if industry is to continue to expand in the north.

The Island Falls to Points North transmission line will bring hydro power to northeast Saskatchewan. When this 470-km line is completed in November 1991, the whole province will be interconnected with one electrical grid. This will further enhance service reliability for northern customers.

The SaskPower Northern Enterprise Fund is also enhancing life in northern Saskatchewan. SaskPower contributes revenue to the fund, based on the production of five northern power stations.

This money is then made

available through grants and loan guarantees to entrepreneurs in northern communities. The types of businesses that benefit from the fund are wide ranging - from taxi companies and hairdressers to fisheries and mining exploration firms. This stimulation benefits the whole northern economy.

Current forecasts predict that by mid-1994, Saskatchewan's demand for power will outstrip the supply available. Last year SaskPower announced a program inviting the public to participate in its planning process on how to meet this growing demand. This will ensure that the options the corporation chooses reflect the values of Saskatchewan people.

To begin the process, SaskPower produced a booklet which outlined the costs and environmental impacts of the many options available, from reducing demand to increasing supply. *Our Future Generation - Electricity for Tomorrow* was distributed across the province, and has been very well received.

SaskPower appointed an independent five-member panel which will hold public meetings throughout the province in 1991. They will promote awareness and discussion of many options, and the economic and environmental implications of each. Following the meetings, they will prepare a report for SaskPower.

We are confident that this process of consultation will help SaskPower choose wisely from the many options available to balance customers' needs with resources available to produce power.

In conclusion, on behalf of the Minister and the members of the Board of Directors, I extend my thanks to all employees for their continuing work which has resulted in another successful year for SaskPower.

Donald Stankov, FCA
Chairman of the Board

MESSAGE FROM THE PRESIDENT

The year 1990 was another excellent year for SaskPower. We continued our restraint program on spending and were able to show a profit of $118 million. SaskPower entered the new decade with "the strongest balance sheet of any provincially-guaranteed utility in Canada." The Dominion Bond Rating Service made this assessment in August 1990.

From this strong financial base, SaskPower is in a better position to serve its customers. We created a new rate class for manufacturers and food processors, which will make them more competitive with operations in our sister provinces. We also reduced rates by about 10 per cent for the small business sector. This is designed, as well, to make them more competitive.

We also reduced Saskatoon's bulk rate to bring it into line with that of Swift Current, the only communities in all of Saskatchewan where consumers are not served directly by SaskPower.

All other rates remained the same as in 1989. This reflects SaskPower's concern for its customers, particularly in difficult economic times.

Finance charges continued to fall, both in dollar value and as a percentage of revenue. For each dollar of revenue in 1990, only 20 cents was used to pay finance charges. This is our lowest level since 1979. At one point, 42 cents of every revenue dollar was being spent on finance charges. Unlike previous years, cash from operations was well above our debt servicing requirements.

I am also pleased to report other significant achievements in environmental programs, northern development, safety programs, public consultation and partnership with Saskatchewan business.

In 1990, the Saskatchewan Workers' Compensation Board reduced SaskPower's assessment, as a direct result of our excellent safety record. We have the lowest rate of any electric utility in all of Canada. I'm very proud of the fact that our employees recognize safety as an essential part of their work.

During 1990, SaskPower continued to implement our 13-point environmental policy which we adopted the previous year. From the testing of equipment to reduce sulphur dioxide emissions at Poplar River Power Station and the start of construction of the Shand Greenhouse, to a blue-box program to recycle waste paper in our head office, environmental responsibility is a

part of everything we do.

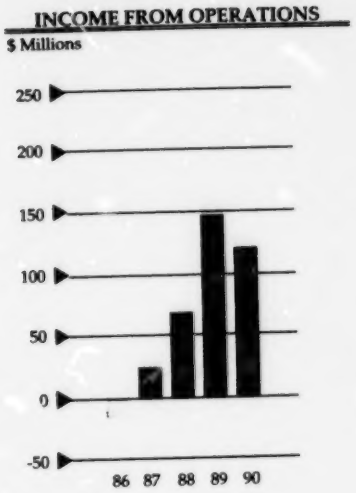
Part of our policy is to promote the wise and efficient use of electricity among our customers - the consumers of electricity. Through the Power-Wise programs, we encourage customers to use less energy in periods of peak demand, both through conservation and through shifting their time of use.

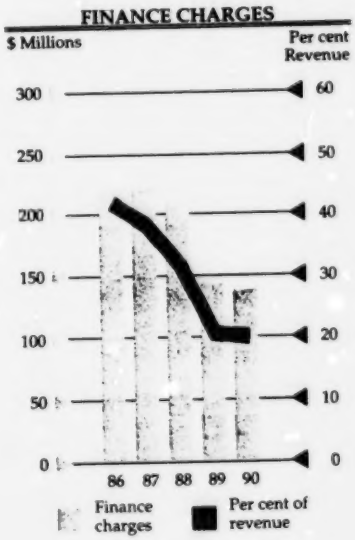
The rewards of these programs are not just for customers to save money. SaskPower also benefits. Demand side management will help slow the rate of increase in electrical demand and consumption. In turn, this allows SaskPower to defer building new generating facilities. This will save capital costs, operating costs, and the natural resources which would have been used in the construction and operation of the facilities.

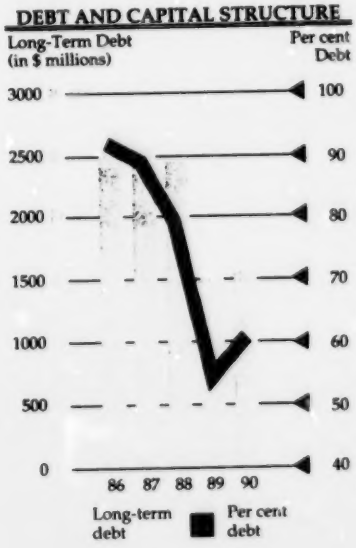
We all understand that our customers are key to our continued success. SaskPower is now engaged in a program to build on our good reputation for customer service, and deliver extraordinary service. The program involves training all our staff on how to enhance customer relations. This renewed focus can only help us serve our customers better.

In conclusion, I would like to thank all employees for their continued hard work which has made our successes possible. I also thank our minister and board of directors, as well as the members of SaskPower's executive.

George D. Hill, QC
President and Chief Executive Officer

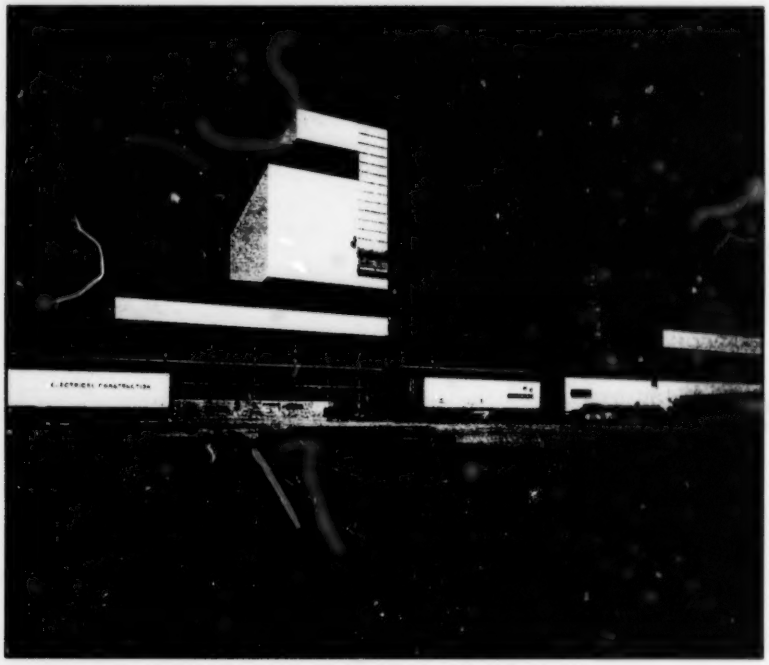






HIGHLIGHTS OF SASKPOWER'S YEAR

At SaskPower, 1990 was a busy and productive year on many fronts.



When completed in 1992, Shand Power Station, near Estevan, will be the most environmentally advanced coal-fired power plant in Canada.

CONSTRUCTION

Construction continued on the Shand Power Station and on our longest transmission line stretching from Island Falls Hydroelectric Station to Points North in northern Saskatchewan.

EMPLOYEES

Our employees worked around the clock to produce and deliver electricity to our customers throughout the province, combatting blizzards, tornadoes, and occasional mechanical difficulties.

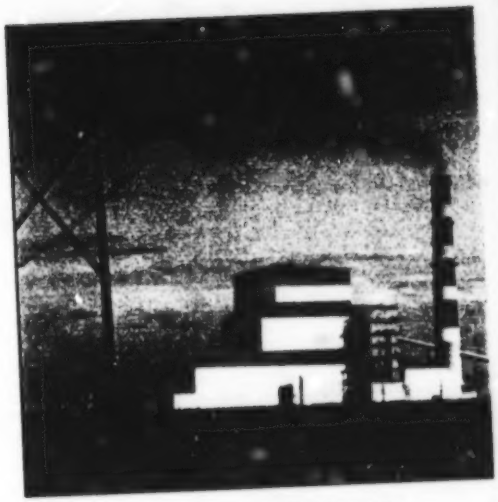
All employees, from senior executives to junior clerks, attended a course on Achieving Extraordinary Customer Relations.

PUBLIC

While meeting current needs, we must continue to plan to meet future demands. We have invited the public to contribute to that planning process through several vehicles. Among these was a series of local meetings to discuss proposed routes for three new transmission lines - Brada to Lloydminster, Brada to Meadow Lake, and Shand to Peebles.

ENVIRONMENT

A new technology was first unveiled in North America at our Poplar River Power Station near Coronach in August. LIFAC technology removes sulphur dioxide from the smoke-stack gasses, economically reducing emissions. This installation was designed to test the technology under Saskatchewan conditions. If this test is successful, we plan to use it at the Shand Power Station.



A 14-storey addition to the Poplar River Power Station houses LIFAC equipment to reduce emissions. The new section, shown here under construction on the front right corner of the main building, was completed in 1990.

At this course in Saskatoon, 16 employees from around the corporation learn new skills for dealing effectively with internal and external customers.

POWERWISE

Hockey players, skaters and curlers all across the province benefit from two PowerWise programs.

Farm yards across the province lit up efficiently when a PowerWise program offered incentives to convert mercury vapor lights to high pressure sodium vapor. These new units use half as much electricity to produce the same amount of illumination.

Our PowerWise programs encourage customers to use electricity wisely and efficiently. Many programs will help them save money, as well as reduce peak demand. In the long term, these programs will help conserve valuable resources and protect the environment.

During the year, staff conducted energy audits for more than 100 businesses who requested them. These audits could help those businesses save an estimated $500,000 annually.

Many PowerWise programs are aimed at industrial and commercial customers, who use almost half the electricity we produce. However, residential and farm customers can also benefit from PowerWise programs. For example, we offer rebates on the purchase of high-efficiency electric water heaters, $500 grants for solar- or wind-powered livestock watering pumps, and promote the use of compact fluorescent lighting in homes.

One program offers financial incentives for efficient farm yard lighting. We estimate a saving of five megawatts if just half the farm yard lights in the province are converted to high pressure sodium vapor.

SaskPower also completed a three-year program to convert street lights in the province to high pressure sodium vapor. Both programs will reduce peak demand and energy consumption.

We assisted skating and curling rinks throughout the province by providing loans to rinks that installed energy-efficient equipment to reduce their electrical consumption and operating expenses. A second program offered reductions on rinks' demand charges for October 1990 and April 1991.

YOUTH

Just as building a power station is an investment in the future of the province, so are SaskPower's many youth programs. Thousands of young people benefit from a variety of programs we sponsor or support.

These include the Junior Citizen of the Year Awards, safety programs offered through schools and 4-H clubs, and Interculture Canada Scholarship program offering overseas studies. In addition, we sponsor Society, Environment and Energy Development Studies (SEEDS) workshops for teachers of all grades, and have made *A Greener Generation* video and teachers' guide and *Our Future Generation - Electricity for Tomorrow* available to all schools in the province. We support the Scouts' tree seedling distribution program, student leadership conferences, and the Duke of Edinburgh's Award. We also offer scholarships for post-graduate engineering studies and the SaskPower Northern Enterprise Fund also offers scholarships.

We must consider all the options, including the environmental implications, to ensure a reliable supply of electricity for future generations in Saskatchewan.

SASKPOWER EXECUTIVE

at December 31, 1990

George D. Hill, QC
- President and Chief Executive Officer

Harvey Jim, CA
- Senior Vice-President, Finance

Bob Lawrence, P.Eng.
- Senior Vice-President, Operations

Ed Beechinor
- Vice-President, Marketing

Ken Birch, P.Eng.
- Vice-President, Power Production

Lauren Carlson, P.Eng.
- Vice-President, Major Projects

Vern Fowke, FCA
- Vice-President, Corporate Services and Communication

Dr. Tony Harras, P.Eng.
- Vice-President, Planning

Nicholas Kaufman, QC
- Vice-President, Law

Kevin Mahoney
- Vice-President, Human Resources

G. Keith Rever, P.Eng.
- Vice-President, Transmission and Distribution

C. Larry Ruddell, CA
- Vice-President and Controller

Dr. Robert Walker
- Vice-President, Environment

Ron Bruce, CGA
- Manager, Internal Audit

SASKPOWER BOARD OF DIRECTORS

at December 31, 1990

(from left) Barry Bridges, Alfred Bechard, Wally Blaisdell, Patricia Olynik, Laura Smith, Monty Manning, Ross Giles, Don Stankov.

Hon. George McLeod
- Deputy Premier
- Minister Responsible for SaskPower
- Vice-Chairman of the Board
- MLA for Meadow Lake

Donald Stankov, FCA
- Chairman
- Executive Committee
- President, Thyssen Mining Construction of Canada Ltd., Regina

Alfred E. Bechard
- Finance Committee
- Farmer, Sedley

Wally Blaisdell, APR
- Executive Committee
- Finance Committee
- President, Markets Plus Inc., Regina

Barry D. Bridges, LL.B.
- Executive Committee
- Finance Committee
- Audit Committee
- Partner, McLellan, Cundall, Bridges & Baumgartner, Estevan

B. Ross Giles, CA
- Executive Committee
- Finance Committee
- Audit Committee
- General Manager, Degelman Industries Ltd., Regina

Edward A. Laurence
- Executive Committee
- President, Laurence Investments Ltd., Yorkton

Monty N. Manning
- Audit Committee
- President, Manning Mercury Sales Ltd., North Battleford

Patricia Y. Olynik
- Audit Committee
- Homemaker, Moose Jaw

Laura Smith
- Audit Committee
- Farmer, Pathlow

Glenn R. Thorpe
- Executive Committee
- Finance Committee
- President, Tower Line Contractors Ltd., Yorkton

Report of Management

Management is responsible for the integrity of the financial data reported by the Corporation. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data in accordance with generally accepted accounting principles in Canada which are consistently applied, with any exceptions specifically described in the financial statements.

Management uses internal accounting controls, offers guidance through corporate-wide policies and procedures and exercises its best judgment in order that such statements reflect fairly the financial position, results of operations and changes in cash position.

In order to gather and control financial data, the Corporation has established accounting and reporting systems supported by internal controls and an internal audit program. In establishing systems of internal control, management weighs the cost of such systems against the benefits that it believes can be derived. Management believes that the existing internal controls provide reasonable assurance that assets are safeguarded and that the financial records are reliable for preparing financial statements and other data and maintaining accountability for assets.

Ernst & Young, Chartered Accountants, have examined the Saskatchewan Power Corporation's statements of financial position as at December 31, 1990 and the related statements of income, retained earnings and changes in cash position for the year then ended. Their responsibility is to express an opinion on the fairness of management's financial statements. The Auditors' Report outlines the scope of their audit and their opinion.

In ensuring that management fulfills its responsibility for financial reporting and internal control, the Board of Directors is assisted by the Audit Committee whose members are outside directors. At regular meetings, the committee discusses audit and financial reporting matters with representatives of management, the internal auditors and the external auditors. The Audit Committee has reviewed the financial statements with Ernst & Young and has submitted its report to the Board of Directors. The Board of Directors has reviewed the Annual Report in advance of its release and has approved its content and authorized its publication.

On behalf of Management,

George D. Hill, QC
President and Chief Executive Officer

Harvey Jim, CA
Senior Vice-President, Finance

AUDITORS' REPORT

To the Members of the
Legislative Assembly
Province of Saskatchewan

We have audited the statements of financial position of Saskatchewan Power Corporation as at December 31, 1990 and the statements of income, retained earnings, and changes in cash position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Effective December 31, 1989, the Corporation sold its investment in a wholly-owned subsidiary to its parent and recorded an extraordinary gain of $226 million. As the investment was sold to a related party, in our opinion the gain should have been recorded as an equity advance.

In our opinion, except for the inclusion in retained earnings of the gain on sale of an investment as referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Ernst + Young

Regina, Saskatchewan
February 8, 1991

Chartered Accountants

STATEMENTS OF FINANCIAL POSITION

as at December 31, 1990 (in millions)

ASSETS	1990	1989
Property, plant and equipment		
Property, plant and equipment (Note 2)	$2,935	$2,836
Less: Accumulated depreciation and depletion	870	785
	2,065	2,051
Construction in progress	363	179
	2,428	2,230
Current assets		
Cash and short-term investments	—	10
Accounts receivable and unbilled revenue	94	96
Inventories	77	75
	171	181
Other assets and deferred costs	170	243
	$2,769	$2,654

Approved on behalf of the Board:

_____, Director

_____, Director

LIABILITIES AND EQUITY	1990	1989
Long-term debt		
Advances from the Province of Saskatchewan (Note 3)	$1,328	$1,327
Saskatchewan Power Corporation Savings Bonds (Note 4)	242	191
	1,570	1,518
Less equity in sinking funds (Note 3)	254	286
Long-term debt net of sinking funds	1,316	1,232
Less amounts due within one year (Note 3)	313	28
	1,003	1,204
Current liabilities		
Bank indebtedness	3	—
Short-term advances from the Province	79	—
Accounts payable and accrued liabilities	160	163
Long-term debt due within one year	313	28
Dividends payable	119	—
	674	191
Other liabilities and deferred income	229	223
Equity		
Equity advances	600	600
Retained earnings	263	436
	863	1,036
	$2,769	$2,654

See accompanying notes

STATEMENTS OF INCOME

For the year ended December 31, 1990 (in millions)

	1990	1989
Revenue		
Sales to customers	$675	$683
Costs and expenses		
Cost of electricity	122	123
Operating, maintenance and administration	207	186
Depreciation and depletion	93	90
	422	399
Income from operations before finance charges, earnings from discontinued operations and extraordinary items	253	284
Finance charges (Note 6)	135	140
Income before earnings from discontinued operations and extraordinary items	118	144
Earnings from discontinued operations (Note 7)	—	66
Extraordinary item (Note 7)	—	226
Net income	$118	$436

STATEMENTS OF RETAINED EARNINGS

For the year ended December 31, 1990 (in millions)

	1990	1989
Retained earnings, beginning of year	$436	$591
Net income for the year	118	436
Dividends (Note 5)	(291)	(591)
Retained earnings, end of year	$263	$436

See accompanying notes

STATEMENTS OF CHANGES IN CASH POSITION

***For the year ended December 31, 1990** (in millions)*

	1990	1989
Cash from operations available for debt servicing and capital expenditures (Note 8)	$ 352	$ 413
Cash used for debt servicing		
Gross interest payments	197	266
Principal repayments	2	126
Sinking fund installments	7	12
	206	404
Net cash available for capital expenditures	146	9
Cash used for capital expenditures		
Additions to property, plant and equipment	291	221
Less interest capitalized	(20)	(10)
Other	(11)	3
	260	214
Net cash deficiency before dividends and financing	(114)	(205)
Dividends paid, net of equity advances	(172)	9
Net cash deficiency before financing	(286)	(196)
Cash from financing and other sources (Note 9)	194	165
Decrease in cash	(92)	(31)
Cash position, beginning of year	10	41
Cash position (indebtedness), end of year	$ (82)	$ 10
Cash position at end of year consists of:		
Cash and short-term investments	$ —	$ 10
Bank indebtedness and short-term advances	(82)	—
	$ (82)	$ 10

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 1990

The Corporation was established pursuant to The Power Corporation Act, passed on April 8, 1950. In accordance with the provisions of this Act, the Corporation's main functions include the generation, purchase, transmission, distribution and sale of electrical energy.

1. ACCOUNTING POLICIES

The Corporation's accounting policies are in accordance with generally accepted accounting principles and conform in all material respects with International Accounting Standards, except that there is no provision for income taxes as they are not levied on earnings of Crown Corporations. The following policies are considered to be significant:

(a) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost and include direct material, interest, labor and overhead costs.

The costs of renewals and enhancements which extend the economic useful life of assets are capitalized. On partial disposal of an asset, the cost less the proceeds of sale is charged to accumulated depreciation. When a complete asset is retired, a gain or loss is recognized in the statement of income.

Costs associated with modifications to property, plant and equipment as a result of environmental concerns are capitalized as part of the cost of plant in service and are depreciated over the remaining useful life of the related asset.

Maintenance and repair costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated service life of the related asset. Depletion of coal properties is calculated using the unit of production method based on estimated proven reserves.

(b) CAPITALIZATION OF INTEREST

Interest associated with major capital and development projects is capitalized during the construction period at the Corporation's weighted average interest rate of long-term borrowings in the current year.

(c) INVENTORIES

Stores inventories, consisting of maintenance material, supplies and plant repair parts, are recorded at average cost. Coal and other fuel are recorded at cost on a first-in, first-out basis.

(d) CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction consist of funds received relating to new service connections. These contributions are classified as deferred income and are amortized over the estimated service life of the related asset.

(e) REVENUE RECOGNITION

Revenue is recognized when electrical services are delivered to customers. The estimate of services rendered but not billed is included in unbilled revenue.

(f) FOREIGN CURRENCY TRANSLATION

Transactions denominated in a currency other than Canadian dollars are translated to Canadian dollars by applying exchange rates in effect at the transaction date. At year end, monetary assets and liabilities denominated in a foreign currency are adjusted using the exchange rate at that date. Any resulting exchange gains and losses are included in the statement of income in the current period. Unrealized exchange gains and losses on long-term monetary items are deferred and amortized on a straight-line basis over the remaining life of the asset or liability.

(g) AMORTIZATION OF DISCOUNT AND ISSUE EXPENSES

Debt discount and issue expenses are amortized on a straight-line basis over the term of the respective debt issue.

(h) PENSION PLANS

The Corporation provides for pension plans for substantially all employees. One of the plans is a money purchase plan and the amount to be contributed is determined by the Superannuation (Supplementary Provisions) Act. The other plan is a defined benefit plan and the contributions are based on actuarial valuations.

The cost of pension benefits in the defined benefit plan is determined using the projected benefit method prorated on service and is charged to expense as services are rendered. This cost reflects best estimates of the expected investment yields, salary adjustments, mortality of members, terminations and the ages at which members will retire. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees.

NOTES TO FINANCIAL STATEMENTS *(continued)*

2. PROPERTY, PLANT AND EQUIPMENT *(in millions)*

	Cost	Accumulated Depreciation and Depletion	Net Book Value 1990	Net Book Value 1989
Generation Plant				
Thermal	$ 730	$295	$ 435	$ 456
Hydro	754	125	629	643
Other	24	11	13	14
Transmission	383	115	268	272
Distribution	869	245	624	568
Other	175	79	96	98
	$2,935	$870	$2,065	$2,051

	1990	1989
Composite depreciation and depletion rates	3.24%	3.24%
Interest capitalized		
Amount included in property, plant and equipment	$289	$269

3. ADVANCES FROM THE PROVINCE OF SASKATCHEWAN *(in millions)*

	1990	1989
Canadian Dollar		
Issues with interest rates of 7.75 to 13.00, weighted interest rate of 10.63%	$ 513	$ 513
Canadian Dollar		
Issues callable upon six-months notice with interest rates of 9.26 to 14.06, weighted interest rate of 11.94%	221	221
U.S. Dollar		
Issues with interest rates of 8.625 to 16.375, weighted interest rate of 12.98%, par value of $509 million U.S.	594	593
	$1,328	$1,327

Maturities of the advances for the next five years all relate to the U.S. Dollar Issues and are $177 million in 1991, $170 million in 1992, and no maturities in 1993, 1994 and 1995.

Certain advances from the Province require the establishment of sinking funds which, upon maturity of the respective advances, are applied to the principal amounts to be repaid. The equity in sinking funds amounted to $254 million at December 31, 1990 ($286 million at December 31, 1989). Sinking fund installments payable for the next five years are $7 million per year.

The current portion of long-term debt consists of:

	1990	1989
Advances from the Province of Saskatchewan, net of sinking fund installments and applications	$185	$ 4
Saskatchewan Power Corporation Savings Bonds (Note 4)	128	24
	$313	$28

4. SASKATCHEWAN POWER CORPORATION SAVINGS BONDS

Saskatchewan Power Corporation Savings Bonds issued and outstanding are as follows (in millions):

Series	Issue Date	Maturity Date	Issue Interest Rate	Amount Outstanding 1990	1989
IV	July 6, 1987	July 6, 1990	8.50%	$ —	$ 18
V	July 6, 1988	July 6, 1991	9.25%	30	76
VE	July 6, 1988	July 6, 1991	9.25%	97	97
VI	July 6, 1990	July 6, 1993	12.75%	115	—
				$242	$191

The interest rates on all Series can be increased upon the approval of the Lieutenant Governor in Council and can be decreased for Series VI only to a minimum of 10.5%. Effective July 6, 1990, the interest rate on Series V bonds was increased to 12.75%. The interest rate on Series VE bonds was increased to 10.5% effective January 6, 1989. The Bonds are subject to early redemption semi-annually until maturity at the option of the bondholder. Bonds redeemed January 6, 1991 in the amount of $1 million ($8 million January 6, 1990) are classified as long-term debt due within one year.

The Series VE bonds issued in 1988 are exchangeable, at the option of the holder, at any time prior to maturity for 9.5 common shares of Saskoil per $100 principal amount of Exchangeable Bond. The Saskoil shares were received in 1988 as part of the consideration on the sale to Saskoil of the Corporation's petroleum and natural gas properties. Holders exercising the exchange privilege before July 6, 1989 received one additional common share per $100 principal amount. At December 31, 1990, bonds in the amount of $25 million have been exchanged for shares.

NOTES TO FINANCIAL STATEMENTS *(continued)*

5. DIVIDENDS

In 1990, the Corporation declared dividends of $291 million ($591 million in 1989), including a special dividend in the amount of $60 million.

6. FINANCE CHARGES *(in millions)*

	1990	1989
Gross interest expense	$197	$266
Less amounts capitalized and charged to subsidiary	20	62
	177	204
Amortization of:		
Foreign exchange	(8)	(10)
Debt discount and issue expense	1	3
	(7)	(7)
	170	197
Less:		
Sinking fund earnings	28	34
Interest income	9	17
Gain on sale of Saskoil warrants and shares	—	10
Other	(2)	(4)
	35	57
Finance charges, net	$135	$140
Interest rate used in capitalization	12.75%	9.81%

7. SALE OF INVESTMENT IN SASKATCHEWAN ENERGY CORPORATION

Effective December 31, 1989, the Corporation sold its investment in its wholly-owned subsidiary, Saskatchewan Energy Corporation, to Crown Investments Corporation of Saskatchewan. The gain on sale of the investment of $226 million has been shown as an extraordinary item.

The results of operations of Saskatchewan Energy Corporation for the year ended December 31, 1989 are as follows (in millions):

Revenue	$320
Costs and expenses	254
Net income	$ 66

8. CASH FROM OPERATIONS *(in millions)*

The components of cash from operations are as follows:

	1990	1989
Income from operations before finance charges	$253	$284
Interest income	9	17
Charges to operations not requiring an outlay of cash:		
Depreciation and depletion	93	90
Other	—	(10)
	355	381
Net change in non-cash working capital:		
Accounts receivable and unbilled revenue	2	10
Inventories	(2)	5
Accounts payable and accrued liabilities	(3)	17
	(3)	32
Cash from operations	$352	$413

9. CASH FROM FINANCING AND OTHER SOURCES *(in millions)*

The components of cash from financing and other sources are as follows:

	1990	1989
Saskatchewan Power Savings Bonds	$115	$ —
Advances from the Province	—	92
Proceeds on sale of Saskatchewan Energy (Note 7)	72	775
Other	75	13
Sale of Saskoil shares and warrants	—	34
Advances from subsidiary	—	52
	262	966
Less: Early repayment of advances and redemptions of Saskatchewan Power Savings Bonds	68	801
Cash from financing and other sources	$194	$165

NOTES TO FINANCIAL STATEMENTS *(continued)*

10. COMMITMENTS AND CONTINGENCIES

(a) At December 31, 1990, the Corporation was committed in the amount of approximately $612 million for construction materials, equipment, forward exchange and other financial contracts, and on contracts and services not completed at that time. At 1990 prices, the Corporation had forward commitments of $1,866 million extending up to 34 years for coal contracted for future minimum deliveries.

(b) The Corporation is contingently liable as endorser of certain promissory notes due 2003, arising from the sale of a dragline. In addition, the Corporation is contingently liable for lease payments on certain leased mining equipment, which was assumed by the purchaser of a mining operation. The lease expires in 2005. The total amount of the contingencies is $66 million.

11. PENSION PLAN

The pension fund assets in 1990 amounted to $370 million, which approximated the actuarially-determined present value of accrued pension benefits.

12. RELATED PARTY TRANSACTIONS

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the statements of financial position and are settled in normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

13. COMPARATIVE FIGURES

Certain amounts for the prior year have been reclassified to conform with the presentation in 1990.

ELECTRIC OPERATIONS 10-YEAR FINANCIAL SUMMARY *(in millions)*

	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
Revenue	$675	$683	$639	$565	$510	$471	$432	$376	$333	$288
Costs and expenses										
Fuel, water and purchased electricity	122	123	125	97	86	108	89	85	76	60
Operating, maintenance and administration	207	186	159	150	158	159	149	140	132	128
Depreciation	93	90	83	79	70	58	57	50	46	39
	422	399	367	326	314	325	295	275	254	227
Income before finance charges	253	284	272	239	196	146	137	101	79	61
Finance charges	135	140	204	216	214	167	165	128	108	82
Income (loss) from continuing operations	$118	$144	$ 68	$ 23	$(18)	$(21)	$(28)	$(27)	$(29)	$(21)

FINANCIAL SUMMARY

	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
Property, plant & equipment (in millions)										
Property, plant & equipment in service	$2,935	$2,836	$2,673	$2,541	$2,449	$1,955	$1,691	$1,686	$1,415	$1,362
Construction in progress	363	179	135	78	48	366	408	320	323	182
Property, plant & equipment, gross	3,298	3,015	2,808	2,619	2,497	2,321	2,099	2,006	1,738	1,544
Accumulated depreciation	(870)	(785)	(705)	(635)	(562)	(505)	(456)	(419)	(384)	(347)
Property, plant & equipment, net	$2,428	$2,230	$2,103	$1,984	$1,935	$1,816	$1,643	$1,587	$1,354	$1,197
Growth over prior year (%)	8.88	6.04	6.00	2.53	6.55	10.53	3.53	17.21	13.12	18.63
Capital expenditures ($)	291	221	180	128	189	231	232	294	231	226
Sources & uses of cash (in millions)										
Cash from operations	$ 352	$ 413	$ 355	$ 290	$ 348	$ 230	$ 82	$ 172	$ 133	$ 111
Debt servicing	(206)	(404)	(425)	(325)	(432)	(246)	(238)	(212)	(164)	(168)
	146	9	(70)	(35)	(84)	(16)	(156)	(40)	(31)	(57)
Capital expenditures, net of interest capitalized	(260)	(214)	(155)	(136)	(183)	(188)	(197)	(259)	(207)	(208)
Financing, net of dividends	22	174	226	172	267	258	252	293	387	243
Increase (decrease) in cash	$ (92)	$ (31)	$ 1	$ 1	$ —	$ 54	$ (101)	$ (6)	$ 149	$ (22)
Finance charges as a percent of revenue (%)	20.00	20.50	31.92	38.23	41.96	35.46	38.19	34.04	32.43	28.47